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C O N F I D E N T I A L SECTION 01 OF 02 MINSK 000194

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SUBJECT: MARCH MADNESS: GOB SEEKS TOP 25 WORLD BANK RATING

REF: A. 07 MINSK 296

[1](#)B. 07 MINSK 993

Classified By: Charge Jonathan Moore for reason 1.4 (d).

Summary

[1](#)1. (C) On March 4, Aleksandr Lukashenko signed a decree abolishing the notorious "Golden Share" rule that permitted re-nationalization of privatized firms. Analysts agree the GOB made the move as part of a campaign to increase foreign investment into Belarus. In and of itself, the end of "Golden Share" will do little to attract new investors, but if combined with further reforms the move could ultimately achieve some success in improving Belarus' economic image. End summary.

Lukashenko Unexpectedly Bold in Abolishing Golden Share

[1](#)2. (C) The "Golden Share" rule allowed re-nationalization of any business in which the government ever owned a single share. While the GOB claimed regulations clearly defined the limited circumstances under which the it could use "Golden Share," World Bank Representative Craig Bell recommended ditching the rule to reassure potential foreign investors (ref A). World Bank country economist Marina Bakanova told Acting Pol/Econ Chief that until Lukashenko signed the decree, National Bank of Belarus (NBB) officials indicated that at best they hoped to convince the dictator to reform "Golden Share," for instance by limiting its application to so-called strategic sectors.

Belarus Seeking to Improve Image Among Potential Investors

[1](#)3. (C) Both Bakanova and Irina Tochitskaya, Deputy Director at the Institute for Privatization and Management's Research Center, stated that the GOB understood its image was key to attracting increased investment. Bakanova said that a few years ago officials still held misguided notions that simply repeating dubious statistics such as the low official unemployment rate would impress investors. Now the GOB understands reports by international organizations carry weight and the government has set a goal of moving into the top 25 reforming countries in the World Bank's annual "Doing Business" survey.

[1](#)4. (C) Previously, NBB Chairman Pyotr Prokopovich was seen as valued primarily for his loyalty (ref B). Former NBB Chairman Stanislav Bogdankevich told Acting Pol/Econ Chief that the abolition of "Golden Share" shows that Prokopovich learns from his deputies. Bogdankevich added that the

growing trade deficit pushed the GOB to focus on investment, although Bakanova said she does not sense panic in the government yet. Tochitskaya said that apparently Prime Minister Sidorskiy and Prokopovich, as heads of working groups on attracting investment, now bring economic advice directly to Lukashenko. Before their proposals were filtered through the Presidential Administration, which she described as a bastion of Soviet-style economic thought.

15. (C) Mises Research Center Director Yaroslav Romanchuk remarked that ministries not normally pushing economic reform now seem on board. He heard the new Minister of Justice Viktor Golovanov openly criticize the Ministry of Taxation for failing to simplify declarations quickly enough. Romanchuk said members of the nomenklatura with money in Europe favored the end of "Golden Share" and further economic liberalization.

Substance Behind the Public Relations Move?

16. (C) All analysts with whom we spoke agreed that in and of itself, removing "Golden Share" would not fundamentally change the attractiveness of the Belarusian economy. Bogdankevich argued that even without "Golden Share" the government held many levers of control over business. Bakanova pointed out that "Golden Share" itself was seldom used. She pointed out that the key test would come in whether the GOB passed further proposed legislation (septel).

Comment: Reform or Tinkering?

17. (C) Improving policy simply for the sake of a rating is not ideal, but still marks considerable improvement for

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Belarus. Earlier economic measures this year seemed somewhat half-hearted, e.g. announcing tax incentives to new businesses, but only in small towns and only for new manufacturers. The question remains whether ending "Golden Share" in one fell swoop was an exception, or a sign of bolder reforms to come. The next main test will be whether Lukashenko finally unfreezes minority shares purchased during privatization in the nineties, a logical step to interest foreigners thinking about the Belarusian market but disinclined to plunge right into direct investment.
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